

CHAPTER 6G

OPEN SPACE AND AGRICULTURAL LAND CONTRACTS (WILLIAMSON ACT)

HIGHLIGHTS

- Type of Relief Partial relief from the property tax.
 - Eligibility Must own agricultural, open space, or recreational land.
 - When to Claim Contracts may be signed with local governments any time, depending on county or city rules.
 - Number of Acres
 Under Contract 16.6 million
 - Cost to State 2006-07 \$38.1 million
 2007-08 (Estimate) \$39.1 million
 2008-09 (Estimate) \$38.6 million
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1. DESCRIPTION OF PROGRAM

The California Land Conservation Act of 1965 (the Williamson Act), enables cities and counties to enter into contracts with landowners to restrict land for agricultural use. Participating landowners receive a tax reduction, because the land is valued according to the income it generates from agriculture (use value) rather than fair market value. State subvention payments are made to local governmental agencies as partial reimbursement for the tax revenue lost due to the preferential assessment of land under contract.

Beginning in 1999, SB 1182 (Costa), Chapter 353, Statutes of 1998, established the Farmland Security Zone (FSZ) provisions of the Williamson Act. These FSZ provisions permit landowners to rescind their Williamson Act contracts and create FSZ contracts. These latter contracts give landowners a greater property tax reduction but restrict the land for agricultural purposes for a longer period of time. Land subject to a FSZ contract is valued at 65% of the value assigned under the Williamson Act. The FSZ contracts were further defined by SB 649 (Costa), Chapter 1019, Statutes of 1999. (See Chapter 4 of this Reference Book for more information on standard property tax valuation procedures.)

The purpose of the Williamson Act is to preserve the limited supply of agricultural land, especially prime agricultural land, and to discourage the premature and unnecessary

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conversion of agricultural land to urban usage. In addition to agricultural land, open space land categories allowed as compatible uses in agricultural contracts or under Williamson Act open space contracts are scenic highway corridors, wildlife habitat, salt ponds, managed wetlands, submerged areas, and recreational lands. The FSZs are intended to strengthen the Williamson Act by expanding the options available to landowners and local governments, including providing landowners with a guaranteed reduction in property taxes. In return for the increased tax benefits paid to local landowners, FSZ contracts are twice as long, and contract cancellation more difficult and twice as expensive.

2. ELIGIBILITY

Any city or county with a general plan may elect to establish agricultural preserves. An agricultural preserve must be at least 100 acres, unless a city or county determines that a smaller preserve is justified by the unique characteristics of the agricultural enterprises in the area, and if the size is consistent with the general plan.

A city or county may impose restrictions, terms and conditions, including payments and fees, in addition to those allowed under the Williamson Act. They may also establish the compatible uses allowed in preserves relative to agricultural uses or production.

3. METHOD OF ASSESSMENT

Both Williamson Act and FSZ property is subject to the assessment by one of three methods:

- Capitalization of Income. Contracted property is assessed on the basis of current capitalized income, which reflects its income producing or "use" value.
- Unrestricted Value. The property is valued at its unrestricted, factored, base year value. This is the method used for most all other property pursuant to Proposition 13 (Article XIII A of the California Constitution).
- Current Market Value. Market value assessment is based on the current, comparable sales approach.

The lesser of the capitalization of income, factored base year value, or current market valuation is used to determine the amount of property taxes owed on land enrolled in Williamson Act contracts.

An alternate method of assessment (Revenue and Taxation Code Section 423.3), which is voluntary on the part of cities and counties, enables a lower Williamson Act value to be established than under either acquisition value or current market value. Currently, only San Joaquin, Ventura, Imperial, and Sonoma counties use this method.

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The assessment approach used in a given year will vary depending on whether farm income is high or low in comparison with property valuation factors. The state, through a subvention program, partially reimburses local governments for the tax revenue loss resulting from participating in the Williamson Act program and for the costs to administer the local program. The subvention is based on the type of land under contract (prime or nonprime), rather than on the actual tax revenue loss. Subvention payments are \$5.00 per acre for prime land and \$1.00 per acre for nonprime land. However, subvention payments of \$8.00 per acre are paid for FSZ land that is located within an incorporated city or within three miles of the sphere of influence of that city.

4. THE CONTRACTS

Each Williamson Act contract runs for a minimum of 10 years (Sacramento, Mariposa, and Monterey counties have allowed 20-year contracts) and is automatically renewed each year, unless either the landowner or local government files for nonrenewal. FSZ contracts have an initial 20 year term and automatically renew each year. If a contract is not renewed, contractual restrictions remain for nine more years for Williamson Act contracts and 19 more years for FSZ contracts. During that period, taxes on the property gradually return to the level of taxes on unrestricted property according to a schedule specified in statute.

A landowner who wishes more immediate cancellation of an existing contract may petition the local government to cancel the contract but must pay a fee equal to 12.5% of the fair market value of the property for Williamson Act property or 25% of the fair market value of the property for FSZ property. Cancellation may only be granted after a board of supervisors or city council has made specified findings. The Department of Conservation's approval is also requested for cancellation of an FSZ contract. Recent court cases have emphasized that nonrenewal is the preferred method of terminating a Williamson Act contract.

5. CONTRACT APPLICATION PROCEDURE

Application to place land under contract must be submitted by landowners to the city or county planning department.

6. CODE

California Constitution, Article 13, Section 8

California Administrative Code Title 14, Chapter 2

Government Code Sections 16140-16154, and Sections 51200-51297.4

Revenue and Taxation Code Sections 421-430.5

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